



Workers' Compensation Program Performance Audit

King County Auditor's Office

Larry Brubaker, Principal Management Auditor

Rob McGowan, Senior Management Auditor

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Introduction

- Workers' Compensation insures workers against job-related injuries or illnesses
- King County self-insures; managed by Office of Safety and Claims Management (SCM)
- 2004 Financial Audit: deteriorating financial condition of Workers' Compensation Fund
- Scope: Look at reasons for cost growth and assess efforts to control costs

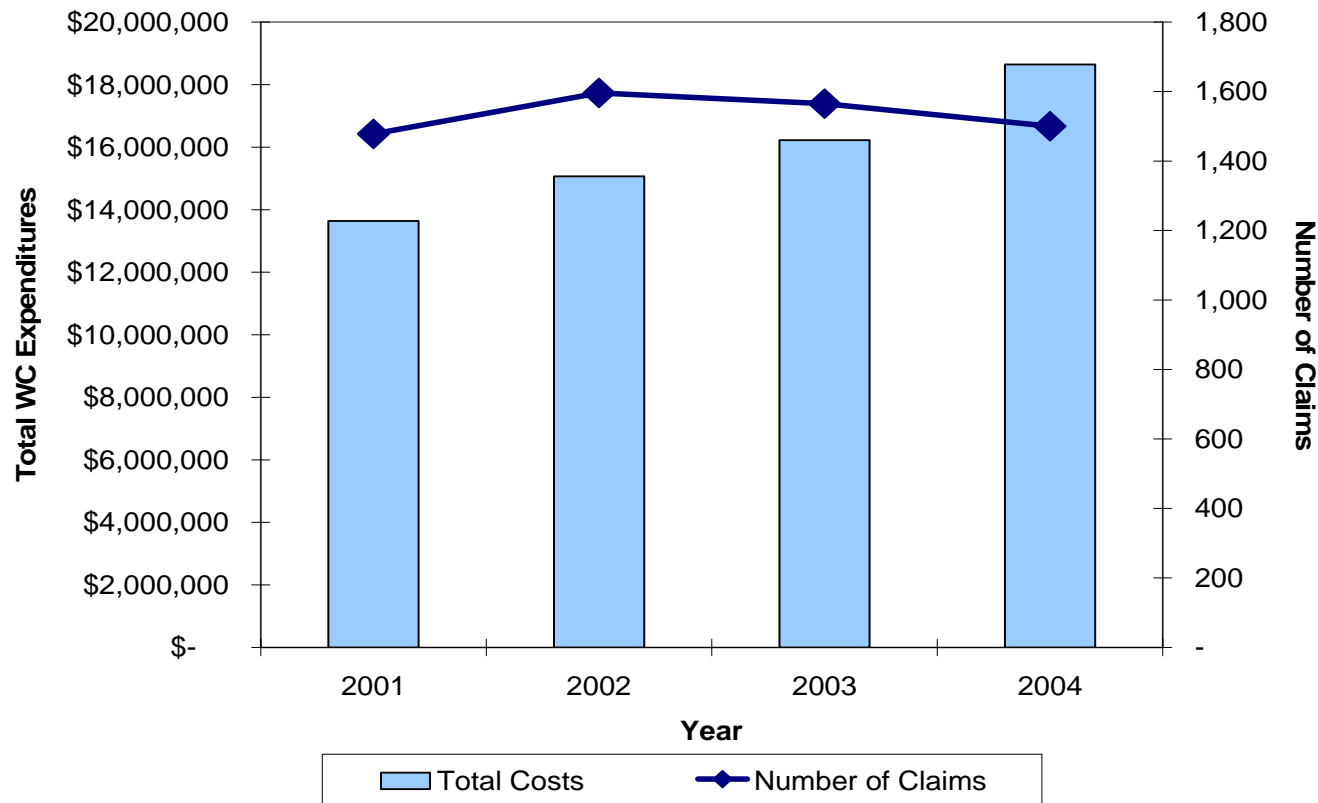


Summary of Conclusions and Recommendations

- Costs are growing more rapidly than the combination of claims and inflation.
- Transit Division has disproportionately high costs...likely explanation is enhanced benefit provided in collective bargaining agreement.
- SCM follows many best practices for controlling costs, but further efforts are needed.
- One recommendations relating to Transit collective bargaining agreement; eight recommendations promoting further adherence to best practices.



Cost of Claims Growing More Rapidly Than Number of Claims



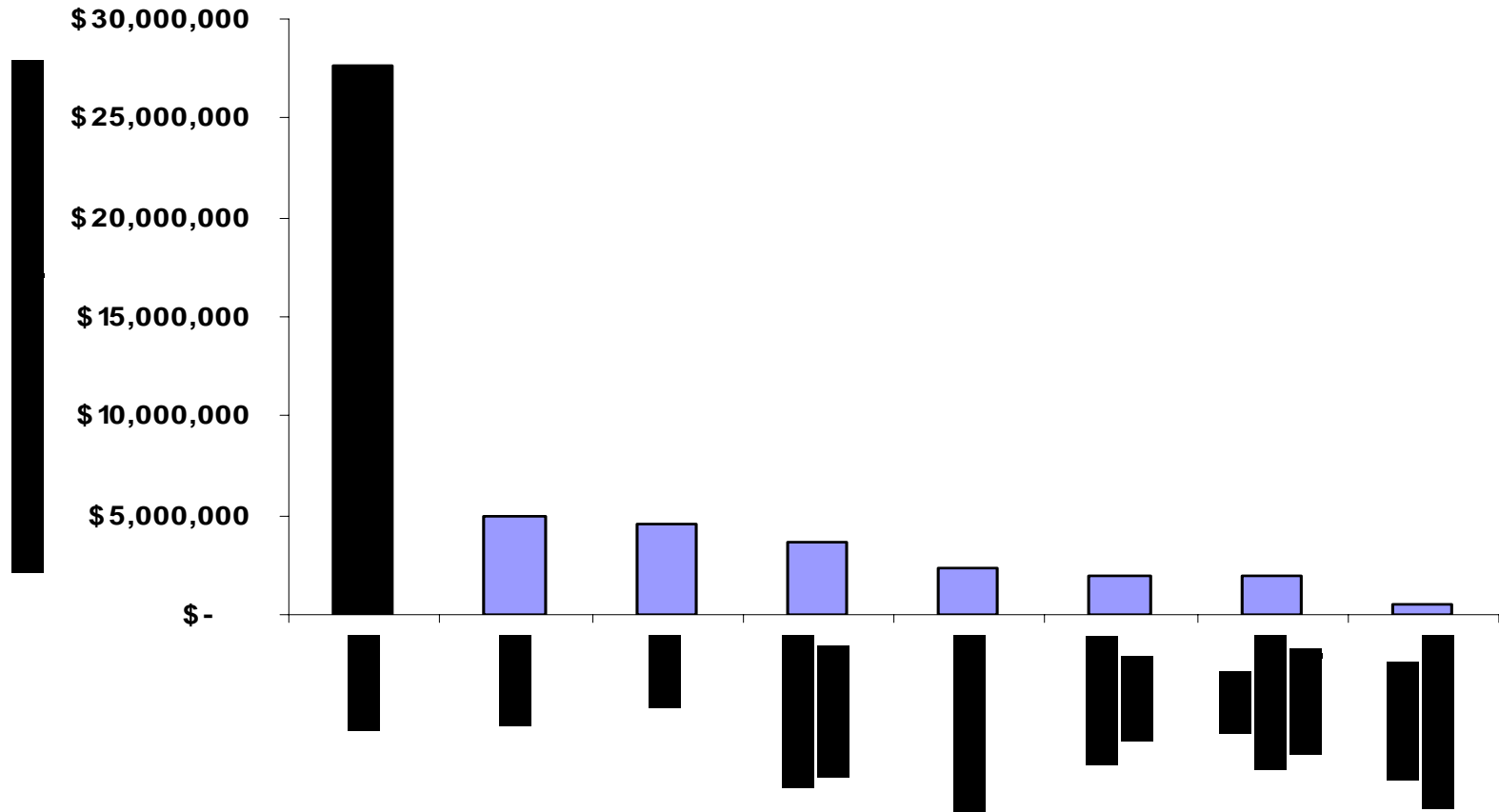


Increasing Utilization of Services Explains Cost Growth

- Costs of medical services and time-loss two major cost components.
- Most of the growth in costs attributable to increasing utilization per claim, not claims growth or inflation.



Transit Has Highest Costs (2001 – 2004)





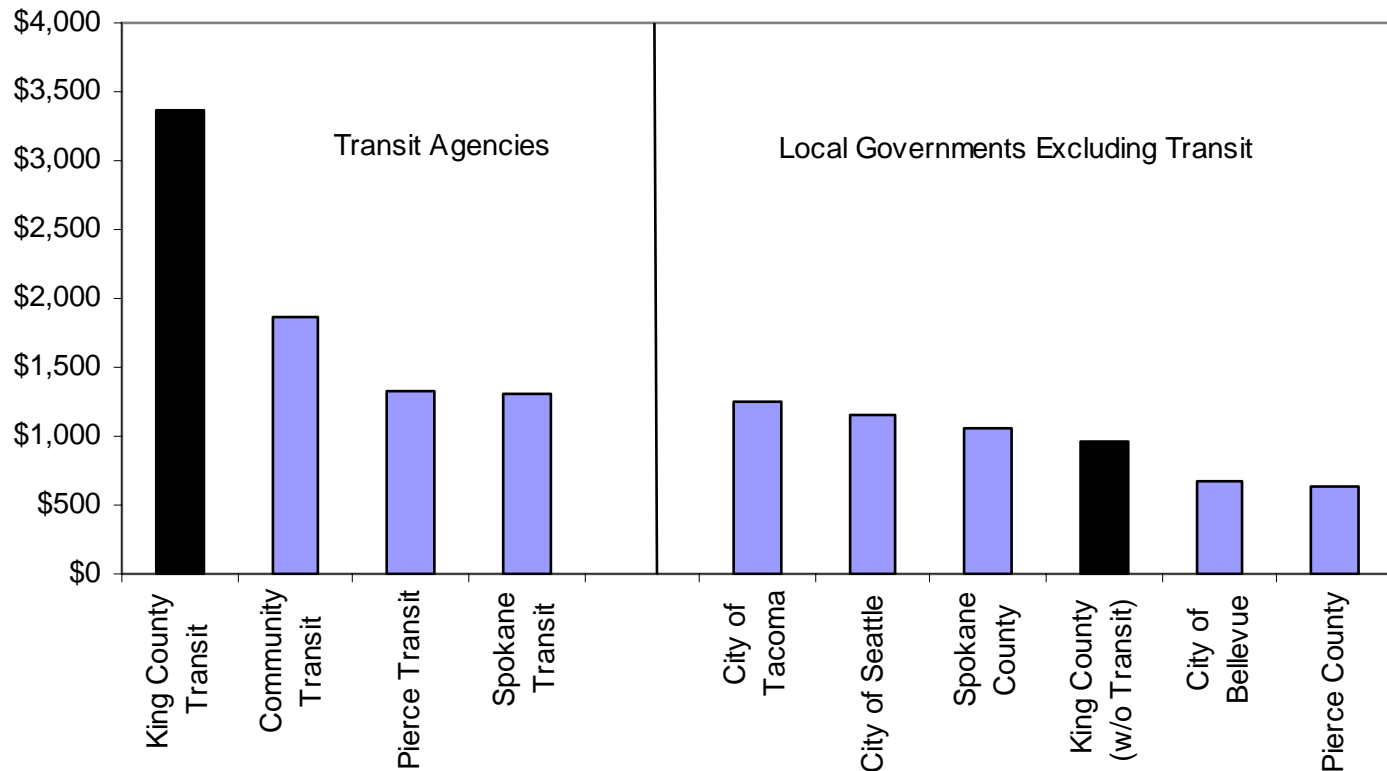
Pattern of Transit Claims Is Unique

- Transit employees (28% of county FTEs) represent:
 - 41% of total claims
 - 56% of costly time-loss claims
 - 81% of the growth in time-loss days
- Transit employees also have highest:
 - Proportion of claims involving time loss (64% of Transit claims involve time loss, no other county agency above 50%).
 - Days of time loss per time-loss claim (22 days)



Cost of Transit Claims Higher Than Other Transit Agencies and Local Governments

2003 Workers Compensation Costs/FTE





Compensation Benefit at Transit Likely an Explanation for High Costs

- Collective bargaining agreement with ATU Local 587 provides unique enhanced time-loss benefit.
- Enhanced benefit may provide a disincentive for return to work.
- Research suggests link between benefit level and cost.
- Recommendation 1: Next contract negotiation consider realigning benefit to be more comparable to other county bargaining units.



Best Practices

- Returning injured workers to work
- Controlling medical costs
- Promoting workplace safety
- Managing claims in a timely and effective manner
- Deterring and investigating fraud



Review of Best Practices

- SCM adheres to many best practices, although some gaps exist
 - Little measurement of effectiveness of cost control efforts
- In spite of efforts, costs continue to rise
- Physicians play important role in claims and return to work



SCM Follows Best Practices by:

- Having a return-to-work (RTW) program
- Applying bill review and utilization review to control medical costs
 - \$16 million saved in four years
- Centralizing claims management
- Providing training to supervisors for filing claims
- Ensuring that claims officers receive anti-fraud training



Gaps in Following Best Practices

- Performance against RTW goals not monitored
- Not measuring cost control efforts
- Weakness in supervisor performance appraisal system
- Lengthy delays in claims reporting
- Narrow definition of fraud; fraud charges rarely pursued



Recommendations

- More thoroughly evaluate the effectiveness of cost control efforts
- Establish a policy for more timely claims reporting
- Improve safety promotion
- Enhance fraud control efforts



Acknowledgements

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